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REPORT OF THE COMMITTEE
APPOINTED TO
INVESTIGATE THE ACCOUNTS
OF THE
Pittsburgh and Steubenville
RAIL ROAD COMPANY,
AND OF THEIR LATE TREASURER,
TOGETHER WITH AN ABSTRACT OF THE
Documents Accompanying
THE SAME.
AS SUBMITTED
TO THE STOCKHOLDERS' MEETING,
MARCH 6, 1855.

PITTSBURGH:
JOURNAL, BOOK AND JOB OFFICE, 50 AND 52 THIRD STREET
1855.

Pittsburgh and Steubenville Rail Road Co.

OFFICERS FOR 1855.

PRESIDENT,
JAMES S. CRAFT.

SECRETARY,
SIDNEY F. VON BONNHORST.

TREASURER,
WILLIAM BAKEWELL.

DIRECTORS.

JAMES M. COOPER,
JAMES SCHOONMAKER,
HENRY GRAFF,
ROBERT WOODS,
ISAAC JONES,
WILLIAM M. LYON,
WILLIAM PHILLIPS.

SAMUEL LIVINGSTON,
E. J. BROOKE,
M. B. BROWN,
R. S. HAYS,
THOMAS L. JEWETT,
SAMUEL A. LONG,
RICHARD F. SMYTH.

MEETING OF THE STOCKHOLDERS

OF THE

PITTSBURGH AND STEUBENVILLE R. R. CO.

At an adjourned meeting of the Stockholders of the Pittsburgh and Steubenville Railroad Company, held at the office of the Company, pursuant to public notice, on the 7th of March, 1855, GEORGE BLACK, Esq., Chairman of stated meeting, resumed the chair, and SIDNEY F. VON BONNHORST and EDW'D GREGG were appointed Secretaries.

The Committee of Investigation appointed at a former meeting, submitted the following report :

STEUBENVILLE RAILROAD.

Report of the Investigating Committee.

To the Stockholders of the Pittsburgh and Steubenville Railroad Company :

The undersigned appointed at the stated annual meeting of the Company held on the eighth day of January last, to investigate the accounts of said Company and the Report of the late Treasurer, respectfully report,—

That the general character of the accounts of this Company and their footings as exhibited at the meeting of the Stockholders, remind the examiners of the remark attributed to Talleyrand, that language was an invention to conceal men's thoughts. So it would seem, without attributing any deliberate purpose to misrepresent or mystify, that figures can be employed to obscure facts.—For if it had been studiously intended to produce an erroneous impression of the state of the concern before them, which it is not supposed was designed, it could not have been more successfully accomplished than by the exhibit made. This has not been done by means

of incorrect additions or subtractions, nor by forced balances, but by partially describing and entering the transactions of the Company under heads not sufficiently conducting to desirable information. To explain this more fully. When a city or county Bond was disposed of and disappeared from among the funds of the Company, the proceeds thereof in money, or other value received, were accurately credited, but the gain or loss not entered, in any shape. The Bond was gone, but only partially accounted for in the books. As many of the Bonds sold for cash, were, during the late disastrous times, parted with at a sacrifice, and the amount lost on each sale did not appear, but on the contrary it stood on the books as a part of the available assets of the concern, so that if the Company did not grow richer by its losses, like the widow's cruise of oil, it seemed to suffer no loss by abstraction. Of this description were the entries made for the first and smallest portions of the sales of those Bonds; but latterly they have been disposed of, not by the Treasurer, or the sales regularly returned to him, but by whomsoever deeming themselves authorized took time and opportunity to raise money on the instant of urgent necessity. Who received and negotiated them does not appear by the general books of account—nor is there any return of many of them on the Treasurer's Books—so that instead of finding City Bonds to the amount of \$235,316,98 as acknowledged in his "*City Bond Account*" by the Treasurer to be in his hands, neither he nor the Company had at the time of his exhibit one of these Bonds in his, or their custody and control. So of "*County Bond Account*" with which the Treasurer charges himself as indebted in the amount of \$374,450,-83, there was on the eighth of January last nothing of all that amount of Bonds in said Treasurer's or the Company's hands. According to the mode of doing business as above stated, they had all been negotiated or pledged, and neither their proceeds nor the application of those proceeds, nor the name of the pawnee appear in the Treasurer's books or report. Here the examination might have stopped, and the office of the examiners might have ceased with a report of these facts, leaving the burthen of explanation upon the negotiators. And they would have willingly paused there, without attempting to penetrate the tangled thicket which lay before them. But they supposed that simply to state that the amount of City and County Bonds returned to the Stockholders as available assets for the early completion of the Road, did not tally with the amount on hand, but that they had entirely disappeared from the immediate control and power of the Company, would be a barren and unsatis-

factory conclusion and they have therefore extended their researches into all attainable sources beyond said books, in the manner which will hereafter appear.

We continue somewhat further our remarks upon the manner of Book Keeping pursued. Take up the account styled "*Engineering and Superintendence*:" This should only represent the expenses of Engineers, &c., in and about the construction of the Road, tallying with the Engineer's books. But under this head are charged, as we think erroneously, all the salaries paid to others than the Engineer Corps. These should have appeared under the title of Salaries or Expenses, being certainly no part of the cost of the Road, unless as it may be chargeable with the general cost of the management of the Company. The road, analagous to that real estate item of an individual, should only be charged with its proper cost. For this reason the Engineer's report of expenses was much less than that charged, being manifestly in error. So when money was remitted from a financiering agent, at a distance from Pittsburgh, it was credited to "Bills Payable," (a sort of asylum for inexplicable wind-falls,) when in truth and in fact, neither Note, Bill, Draft or other obligation was ever issued or incurred by the Company to justify such entry. These items are mentioned as explanatory of a perplexed system, which, instead of elucidating, only complicated the arithmetical history of the Company's affairs. We shall dismiss the subject of these mistaken entries by adverting to but one or two more.

The report of the Treasurer charges himself with cash \$9,644,-21, admitting that sum to be in his hands or due from him. Subsequently, viz: seven days after the date of his report, and after the new board now in existence had appointed another Treasurer, the former Treasurer has credited himself with \$8,333 33 for his salary for three years and four months. This posthumous entry is not recognized, but as still-born; as our enquiries are properly limited to the date of the report of the Treasurer, especially as his former reports to the stockholders of Jan., 1st, 1853, and that of Jan. 4th 1854, as well as that of Jan. 8th, 1855, exhibit no similar claim, nor is it sustained by any resolution of the Directors.

We have also reversed said Treasurer's credit to himself of the sum of \$6,250. "*commission charged for negotiating (as he asserts) the sale of the first issue of City Bonds, \$250,000, at 2½ per cent,*" which the Directors of that day unanimously assert was a sale to himself, and they averring an utter ignorance of this entry.

In undertaking to arrange the accounts for this report, we have

separated the items belonging to the Engineers' Department from the salaries generally. These salaries appearing in the tabular statements annexed, have been charged to expenses, and of course correspondingly credited to the Engineer Department. The amount expended in that service is found to be reconcilable with its books and the general ledger.

The account of real estate, purchased for stations and depots, has been carefully separated from that of right of way and land damages, inasmuch as the former may be, if found expedient, disposed of when not wanted at its value, and form a productive fund to the Company, while the ground covered by the road, if abandoned, would revert to the owner.

The professional services rendered in contesting or arranging land damages, should be separated from those attending collections, &c., so that the former should be charged to that account, and the latter to commissions. This separation as far as it can now be made, is recommended to be done hereafter.

The appropriation account should be opened in another name, suggestive of its purpose. It consists of moneys paid under an appropriation of the Directors to the road in the State of Virginia, from the line of Pennsylvania to the Ohio river, authorized by the tenth section of the act of Assembly of the 18th of April, 1853.

The account called "Grading and Bridging," has been, as we think, improved. In that account has hitherto been entered all the payments made to contractors for that kind of work, and the balance reported by the late Treasurer was intended to represent the total of these payments. It would have been better to have charged them as made to each of the contractors in a personal account, and to have opened another account for retained per centage, to be credited to said contractors when their contract was fully performed. By this plan the balance due each contractor would appear always in the ledger until their accounts were closed by charging the whole to "Grading and Bridging." This would also exhibit what never has been shown, the debts due contractors. To effect this exhibition, the whole of the contractors' accounts have been overhauled minutely, and those and the corresponding accounts reconstructed.

In the investigation of the accounts and books of the Company, it was determined to assume the balance sheet presented on the eighth of January, although not accepted by the Stockholders, as the basis of our work; and if any errors were found, or new entries became necessary to continue his accounts, so as to present what

might be believed the true balances on the day of the date of said Report. This resolution has been perseveringly adhered to, because the entries found necessary might be useful, and indeed essential to the Company hereafter. But for the permanent utility of such supplementary entries, *without expunging or discarding all those previous*, it would have been a far easier task if possessed of all the facts requisite for that purpose, to have opened new books, and journalized and posted the entries from the commencement of the operations; for there is no great difficulty in making correct entries from recent transactions fresh in the minds of the negotiators, but it is an incalculable labor, on the other hand, for strangers to the facts coming in to search after these facts long after their occurrence. And with this perplexity were the examiners met and accompanied, during the heavier portion of their duty. For, from the time the Company became involved in the construction of their road large sums had to be raised, and, when due, again raised upon their credit and securities, scarcely any trace of the many arduous and anxious financial operations of the Company appear on their books, nor was any written memorandum of them made or preserved.

The manner of raising money was generally temporary, and of course often repeated, and in each of these negotiations we were compelled to seek almost a north-western passage after the sources from whence money came, and the destination it reached. Double entry accountants will comprehend this double necessity in recording every operation, in as much as each entry shows the equilibrium of just and equal scales. The time, patience and perseverance required over old and strange transactions to elucidate them in their double bearing is beyond conception. In many cases when it was supposed all the new entries were adjusted to dove-tail with the old, they were found incorrect by the discovery of others already made, and it was only by committing to memory all the old entries and deriving a knowledge of new transactions from innumerable accounts, letters, scraps and verbal explanations which assumed different shapes from inevitably defective recollection of names, dates, and circumstances, that the auditors were enabled to arrive at satisfactory results. Besides the work anxiously toiled over to no final purpose and thrown away for the reasons already given, such thankless labor being fully equal in amount to all that is reported, the work retained for the benefit of the Company as so much prepared for their future journalist, shows new entries to more than a million of dollars, not one cent of which was previously in

the books, or if there, out of their orderly place. All the calculations have been revised. All the entries from the out-set have been carefully examined and scrutinized, and checked one by one by the warrants, bills payable and other vouchers, so that after making required corrections and transpositions, their truth and accuracy may be now vouched for

The main object of the review, viz : to show the exact condition of the Company, has been kept distinctly in sight, so that whether for better or for worse, the Stockholders and Taxpayers of the city and county should know precisely how it stood, and that the incoming officers of the concern should be chargeable with no other resources or assets than came to their hands, and that the extent of their liabilities might be equally made manifest, so that they may be held to their just measure of responsibility, but no more. In this they verily believe the search has been pervading and complete. They have found the position of all the bonds of the city and county, sold and unsold, and at whose hands to seek for an account of those unsold. Some of them cannot be extricated without additional sacrifice, which indeed they are advised has already been suffered under past arrangements. It is therefore recommended in order to do justice to the past, present and future Directors of the Company that an account be opened for the expenses and sacrifices, as far as the same may hereafter appear as the consequence of existing contracts. It will necessarily require time and exertion to relieve these bonds from the burthen now pressing on them, if indeed its whole weight is yet ascertained. This may be the subject of future history. The amount of the Discount and Interest account is accumulated by heavy losses in the sales of the bonds, and by high rates of interest paid for loans, chiefly of a temporary duration, negotiated through brokers, several of them with the interminable and multiplying penalty of keeping the notes in circulation by the same kind of agents. An urgent necessity, invincible otherwise for the means to meet obligations not fully anticipated, seemed to sanction these expedients though often complicating the affairs and crippling the resources of the Company. The general paralysis of the business and consequent extraordinary pressure on the money market, while these sacrifices were making, suggest their only apology. To array the items of usury or the receivers of it can possibly accomplish no valuable purpose, as it occurred during a period when effecting loans at from $1\frac{1}{4}$ to $3\frac{1}{8}$ per cent. per month were conceived to be financial triumphs and subjects of congratulation. These must remain as a portion of irrevoc-

cable history, their example being left as a warning for the future avoidance of such exigencies.

The sheets of figures which accompany this report as an inseparable part of it for the Company purposes, are too voluminous for publication; but may be examined by those who have the patience to satisfy their curiosity. They show the precise entries to be made to reconcile discrepancies and to shape the Journal and Ledger into a continuous and corresponding Record of every transaction of which there was evidence, and will obviate the necessity of opening new books, a perilous and exceptionable expedient, unless unavoidable. We may, however, refer to five condensed tabular statements which exhibit results, viz:

No. I.—The Report of the late Treasurer.

No. II.—The balance sheet, exhibiting the state of the Company, as ascertained by the undersigned.

No. III.—A comparative view of these statements, being a brief recapitulation of the results, the details of which are minutely presented by the several accounts stated.

No. IV.—An analysis of the expense Account.

No. V.—Present condition of the Company, stated on the basis of Auditors' Report.

JAMES S. CRAFT, }
JOHN HARPER, } Auditors.

PITTSBURGH, March 6th, 1855.

On motion of JAMES M. COOPER, Esq., the report as read was accepted and adopted; and on motion of Gen. J. K. MOORHEAD,

Resolved, That the thanks of the Stockholders are due, and are hereby tendered to the Committee of Investigation for their laborious and careful report, and that the Directors be instructed to compensate them fully for their valuable services.

GEORGE BLACK, Chairman.

SIDNEY F. VON BONNIHORST, }
EDWARD GREGG, } Secretaries.

NOS. 1, 2 AND 3.

Comparative Statement of the Affairs of the Pittsburgh and Steubenville Railroad Company, as presented by Wm. A. Hill, Treasurer and by Auditors' Report.

DR.

CR.

	WM. A. HILL'S ACCOUNT.	AUDITORS' ACCOUNT.		WM. A. HILL'S ACCOUNT.	AUDITORS' ACCOUNT.
Engineering and Superintending	\$ 44,860 31	\$ 34,295 39	Capital stock paid in cash, Bonds, &c.	\$1,170,332 97	\$1,172,582 97
Office Furniture	672 49	174 42	Bills Payable,	279,854 59	224,853 42
Grading and Bridging	453,016 87	540,810 72	Thomas, Pressley & Nelson Jones for		
Stations and Real Estate	10,336 40	90,921 40	purchase money and interest of 32		
Right of way and land damages	23,263 96	21,424 96	acres of land including Jones' Ferry		67,980 00
Expense account	15,125 86	29,745 87	Enoch Wright for lot at end of Monon-		
Coupons, interest, discount, and com.	67,807 31	137,579 42	gahela Bridge		10,400 00
Appropriation account, road in Va.	135,929 02	185,436 06	Bradys' Bend Co., (bal. due on iron)		7,747 83
Superstructure in Pennsylvania	73,688 32	30,848 18	Manfull, Nicholson & Co. contractors,		
Equipments	5,850 00	19,760 47	including retained per centage		56,720 61
Bills receivable	225 00	525 00	Moorhead & Murray do. do.		13,540 04
Cash Account (W. A. Hill, late Treas'r.	9,644 21	16,912 52	H. B. Blanchard & Co. do.		6,398 80
City Bond Account	235,316 98		Edgington & Wells, do.		3,143 97
County Bond Account	374,450 83		James Andrews do.		3,265 00
The amount of the above			Toppan, Carpenter & Co., Engravers		1,981 00
Bond Account by Mr.					
Hill's Account is	\$609,767 81				
Of which the Auditors					
have charged to other					
accounts above in lieu					
of Hill's Bond account	140,612 22				
And there appears below					
the fol'ing items (in all)	469,155 59				
Viz: Thompson Bell & Co., balance					
per Auditors in their hands		12,332 12			
Thompson Bell & Co. Bonds in their					
hands (one since returned)		19,000 00			
Bank of Pittsburgh held for sureties					
in damage bonds		59,000 00			
Garret & Sons, Bonds on consignment		34,022 84			
Clarke & Co., hold as collaterals for					
Bills Payable		20,000 00			
Tiernan & Co., hold as do.		4,000 00			
D. Robinson, do. do.		1,000 00			
Rev. L. R. McAbey, do.		67,000 00			
Josiah King (in trust) do.		2,000 00			
Erie City Bank, do. do.		80,000 00			
Bank of the Old Dominion, do.		68,000 00			
Bank of Winchester, Va, do.		39,000 00			
Central Bank of Va., do.		58,000 00			
Johnston & Bros. Bonds in their hands		3,700 00			
Charles Naylor, since settled and paid,					
being balance on large sales, &c for					
the Company		2,100 63			
	\$1,450,187 56	\$1,568,613 64		\$1,450,187 56	\$1,568,613 64

Submitted, March 6th, 1855, by

JAMES S. CRAFT, }
JOHN HARPER, } Auditors.

ANALYSIS OF EXPENSE

Organization, Elections, Journeys, &c.
Office and miscellaneous expenses -
Editors, Engravers and Stationary, in-
cluding Toppan & Co., unpaid -
Professional services, &c. at Harris-
burg and Richmond, respecting leg-
islation -

Professional services, &c. at Pitts-
burgh, viz:

A. McMasters signing Bonds -	\$ 75 00
Acknowledging deeds, recording -	18 75
J. B. Guthrie signing bonds -	125 00
Ebenezer Boyles signing bonds -	50 00
J. Gormly signing bonds -	35 00
Ferdinand E. Volz signing bonds, 300	300 00
J. T. Whitten, writings, -	100 00
William Bakewell, writings, -	33 00
William McCandless, writings, -	30 00
Charles Shaler, Esq, -	100 00
Thomas M. Marshall -	4,070 00
Cost of subscription of Allegheny co.,	550 00

Salaries of President and Secretary, -

Balance (as per general statement) -

\$1,765 16
698 86
4,981 58
4,002 00

5,486 75
12,811 52
\$29,745 87

Amount expended on the Road in
Pennsylvania and Virginia (exclusive
of expenses, discount and interest
paid)
Real Estate - - - - -
Equipments - - - - -

\$813,013 37
90,921 40
10,760 47
\$914,695 24

Amount of assets and resources of the
Company applicable to the comple-
tion of the Road, viz:

City of Pittsburgh and Allegheny coun-
ty Bonds, hypothecated, on hand,
unsold, and cash, - - - - -
Individual subscriptions unpaid -
Amount due by Chartiers Valley Rail
Road per agreement, May 1st, 1855,
Seven per cent. 1st Mortgage Bonds un-
sold, authorized by Act of Assembly

\$486,593 11
200,017 03
100,000 00
800,000 00
\$1,586,610 14

From which deduct present liabilities,
Bills Payable - - - \$224,853 42
Amount due on real estate
purchases - - - 78,380 00
Amount due Contractors
and others including re-
tained per centage pay-
able in stock, - - - 92,797 25

\$396,030 67

Estimated cost of completing, viz:

Grading and ma-
sonry - - - \$280,833
Cost of ties, iron,
bridges super-
structure and
laying track to
complete - 384,300

\$665,133 00

Balance to cover future expenses dis-
counts, interest, equipments, &c.

\$1,061,163 67

525,446 47

Submitted

JAMES S. CRAFT, }
JOHN HARPER, } Auditors.

Salaries of President and Secretary,	-	12,811.52	Balance to cover future expenses dis-	\$4,061,163.67	
Balance (as per general statement)	-	\$29,745.87	counts, interest, equipments, &c.		525,446.47
			Submitted	JAMES S. CRAFT,	} Auditors.
				JOHN HARPER,	

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